

**City of Grand Rapids, Michigan**

**Additional Reports Required by  
OMB Circular A-133**  
Year Ended June 30, 2005

# City of Grand Rapids, Michigan

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**Report on Internal Control Over  
Financial Reporting and on Compliance  
and Other Matters and Based on an  
Audit of Financial Statements  
Performed In Accordance With  
*Government Auditing Standards***



## **Independent Auditors' Report**

Honorable Mayor and Members of the City Commission  
City of Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Rapids, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Grand Rapids' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Grand Rapids' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Grand Rapids in a separate letter.

This report is intended solely for the information and use of the City Commission, management and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
October 19, 2005

**Report on Compliance With  
Requirements Applicable to  
Each Major Program and  
Internal Control Over  
Compliance in Accordance  
With OMB Circular A-133**

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## **Independent Auditors' Report**

Honorable Mayor and Members of the City Commission  
City of Grand Rapids, Michigan

### ***Compliance***

We have audited the compliance of the City of Grand Rapids, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Grand Rapids' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Grand Rapids' management. Our responsibility is to express an opinion on the City of Grand Rapids' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grand Rapids' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Grand Rapids' compliance with those requirements.

In our opinion, the City of Grand Rapids complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### *Internal Control Over Compliance*

The management of the City of Grand Rapids is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Rapids as of and for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Grand Rapids' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*SDO Seidman, LLP*

Grand Rapids, Michigan  
October 19, 2005



**Schedule of Expenditures  
of Federal Awards**

# City of Grand Rapids, Michigan

## Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2005</i>	CFDA Number	Grant Award Number	Expenditures
<b>Federal Awards Distributed Directly to the City of Grand Rapids, Michigan</b>			
<b>Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218		
23rd Program year		B97-MC26-0019	\$ 19,403
25th Program year		B99-MC26-0019	143,821
26th Program year		B00-MC26-0019	263,010
27th Program Year		B01-MC26-0019	267,907
28th Program Year		B02-MC26-0019	209,032
29th Program Year		B03-MC26-0019	1,043,198
30th Program Year		B04-MC26-0019	4,755,083
			6,701,454
Emergency Shelter Grant	14.231	S-01-DC-26-0019	209
		S-03-MC-26-0019	4,871
		S-04-DC-26-0019	165,110
			170,190
Home Investment Partnership Program	14.239	M96-MC26-0206	29,749
		M97-MC26-0206	100,561
		M98-MC26-0206	45,671
		M99-MC26-0206	19,290
		M00-MC26-0206	800
		M01-MC26-0206	139,375
		M02-MC26-0206	726,460
		M03-MC26-0206	736,123
		M04-MC26-0206	527,908
			2,325,937
Lead Hazard Control Program	14.900	MILHB0253-03	942,416
Lead Hazard Reduction Demonstration Program	14.905	MILHD0017-03	653,769
Total Department of Housing and Urban Development			10,793,766

# City of Grand Rapids, Michigan

## Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2005</i>	CFDA Number	Grant Award Number	Expenditures
<b>Department of Justice</b>			
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2571	\$ 69,002
		2003-LB-BX-0530	323,359
			392,361
Equitable sharing	N/A	M14143600	22,334
FY2001 Domestic Preparedness	16.006	2003-TE-CX-0009	177,087
Total Department of Justice			591,782
<b>National Endowment for the Humanities</b>			
NEH Project Documenting	45.149	PH-20986-02	66,957
NEH Project Newcomers	45.164	GM-50292-04	32,708
Total National Endowment for the Humanities			99,665
<b>Federal Emergency Management Agency</b>			
Assistance to Firefighters	83.554	EMW-2002-FG-13732	8,539
		EMW-2003-FG-0753	110,291
			118,830
Total Direct Federal Awards			11,604,043

# City of Grand Rapids, Michigan

## Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2005</i>	CFDA Number	Grant Award Number	Expenditures
<b>Federal Awards Distributed Through the State of Michigan to the City of Grand Rapids, Michigan</b>			
<b>Department of Justice</b>			
Bureau of Justice Assistance	16.579		
Crime Policing & Analysis		9XDBVX0026 (72104-1-03-B)	\$ 57,683
Crime Analysis		9XDBVX0026 (72054-2-03-B)	32,024
		9XDBVX0026 (72054-3-04-B)	42,218
COPS More 02		2002CLWX0030	230,197
Drug Court Program		9XDBVX0026 (72023-2-03-B)	113,970
		2004DBBX0052 (72023-3-04-B)	175,582
Metropolitan Enforcement Team (MET)		9XDBVX0026 (70973-3-03-B)	87,358
		2004DBBX0052 (70973-4-04-B)	222,722
Media Partnership Strategies		9XDBVX0026 (72105-1-03-B)	19,310
Start Treatment of Prostitutes		9XDBVX0026 (72106-1-03-B)	45,465
		2004DBBX0052 (72106-2-04-B)	63,361
Records Management		2004DBBX0052 (72163-1-04-B)	14,324
			1,104,214
Project Safe Neighborhood	16.609	2003-GP-CX-0561	30,344
Crime Victim Assistance			
Domestic Assault Response Team (D.A.R.T.)	16.575	VA-GX-0026-02(CVA20510-7V02)	24,348
		VA-GX-03(20510-8V03)	59,170
			83,518
Total Department of Justice			1,218,076
<b>Department of Labor</b>			
Reed Act Funding Grant	17.000	2004-2005	125,000

# City of Grand Rapids, Michigan

## Schedule of Expenditures of Federal Awards

<i>Year ended June 30, 2005</i>	CFDA Number	Grant Award Number	Expenditures
<b>Department of Transportation</b>			
Congestion Mitigation and Air Quality Program	20.205	JJ0187	\$ 110,154
Transportation Enhancement Activity	20.205	2002-0538	8,008
Transportation Enhancement Grant	20.205	HH3277	55,000
		HH3278	66,893
		YY0206/TT0113/RR3598	16,001
		EE0167	94,000
		RR3361	54,585
		HH3461	45,305
		RR2983	349,600
<b>Total Department of Transportation</b>			<b>799,546</b>
<b>Department of Homeland Security</b>			
2003 SHSGP Local RRT Mass Decon. System	97.004	2003	100,450
2003 SHSGP Exercise Grant		2003-2005	4,754
2003 SHSGP II State Assessment Strategy		2003	2,828
2003 SHSGP II Training Grant		2003	38,503
State Domestic Preparedness		2002	958
State Homeland Security Grant RRT EQ		2003	49,411
			<b>196,904</b>
Hazard Mitigation	97.039	2004	50,533
Emergency Management Performance Grant	97.042	03-04	11,362
Emergency Management Performance Grant		04-05	19,753
			<b>31,115</b>
FY2002 Supplemental Fund Assistance	97.051	2002	2,947
<b>Total Department of Homeland Security</b>			<b>281,499</b>
<b>National Endowment for the Arts</b>			
MCACA 04O0042C3	45.000	2003-2004	4,900
MCACA 05O0053C3		2004-2005	5,000
<b>Total National Endowment for the Arts</b>			<b>9,900</b>
<b>Total Federal Awards distributed through the State of Michigan</b>			<b>2,434,021</b>
<b>Total Federal Awards</b>			<b>\$14,038,064</b>

# City of Grand Rapids, Michigan

## Notes to Schedule of Expenditures of Federal Awards

### 1. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available and the City has met the qualifications for the respective grant. Expenditures are recognized when a qualifying liability is incurred.

#### *Local Contributions*

Local matching contributions are required under the provisions of certain Federal grants. Local match contributions include local sources of revenue and in-kind amounts consisting of direct services supplied by City of Grand Rapids employees. For those programs requiring a local match, only the percentage of the program expenditures eligible for federal grant funds are reported.

### 2. Department of Transportation Programs

On July 13, 2000, the City of Grand Rapids and the State of Michigan Department of Transportation entered into a loan contract (#1999-1075) for a \$2,500,000 loan in support of US 131 Reconstruction Project. The loan contract calls for repayment of the loan principal plus interest of 4% over a period ending July 1, 2012. The balance of the loan at June 30, 2005 is \$1,939,342.

The City of Grand Rapids has two grant agreements with Michigan Department of Transportation for Congestion Mitigation and Air Quality Program under federal grant numbers HP0891 (\$1,702,000-1993) and JJ0187 (\$3,578,000-1995). Cumulative expenditures for the two grants amounted to \$5,098,323 at June 30, 2005.

The City receives federal aid in the construction and maintenance of its major and local streets and bridges. The City's portion of the project costs ranges from 10% to 25% depending on the nature of the project. Generally, all project administration, including receipt and disbursement of funds, is performed by the Michigan Department of Transportation. Since all project administration is performed by the Michigan Department of Transportation, federal aid in the construction of the City's major and local streets and bridges is not included in the Schedule of Expenditures of Federal Awards. A summary of current projects is as follows:

# City of Grand Rapids, Michigan

## Notes to Schedule of Expenditures of Federal Awards

Project Totals		2005 Expenditures	
City Share	State Share	Total City Payments	MDOT Payments
\$ -	\$ -	\$ 26,763	\$ 1,032
-	-	-	3,016
-	-	-	1,403
-	-	-	27,154
		35,102	31,573
89,890	-	-	38,727
18,134	126,939	-	342
3,654	25,173	-	867
51,654	1,098,971	-	23,610
31,561	3,389,380	-	2,954
24,043	2,507,018	-	4,516
7,967	830,677	-	7,967
21,383	149,682	-	410
3,007	28,552	-	3,007
570,585	-	-	20,794
10,976	76,830	-	538
46,794	362,617	-	2,514
28,884	202,185	-	28,884
17,213	120,488	-	1,027
24,754	173,278	-	24,754
1,576	11,029	-	475
13,167	94,289	-	2,529
52,593	222,503	-	16,046
1,435	59,992	-	1,261
		182,125	181,222

# City of Grand Rapids, Michigan

## Notes to Schedule of Expenditures of Federal Awards

Project Totals		2005 Expenditures	
City Share	State Share	Total City Payments	MDOT Payments
\$ 385,642	\$ -	\$ 598,833	\$ 306,823
546,955	-	11,990	8,650
576,867	-	59,733	32,023
108,483	-	22,895	15,516
53,796	-	-	1,632
745,021	-	-	296,603
		396,922	298,235
164,908	-	157,906	2,972
815,775	-	729,797	617,797
139,869	-	217,632	148,167
887,522	-	866,837	753,180
8,057	56,400	-	2,321
25,718	-	-	1,288
		3,610	3,609
2,728	19,096	-	806
104,108	729,875	-	1,095
		1,901	1,901
149,812	-	103,149	102,996



# City of Grand Rapids, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2005

### Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Grand Rapids, Michigan.

The audit did not disclose any noncompliance which is material to the basic financial statements of the City of Grand Rapids, Michigan.

The auditors' report on compliance for major programs for the City of Grand Rapids, Michigan expresses an unqualified opinion.

The audit did not disclose any findings related to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The City had four major programs:

Home Investment Partnership Program	CFDA No. 14.239
Lead Hazard Control Program	CFDA Nos. 14.900/14.905
Local Law Enforcement Block Grant	CFDA No. 16.592
CMAQ	CFDA No. 20.205

The dollar threshold used to distinguish between Type A and Type B programs was \$421,100.

The City of Grand Rapids, Michigan qualified as a low-risk auditee.

### Findings Related to General Purpose Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

### Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.